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C O N F I D E N T I A L BUDAPEST 000037

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DEPARTMENT FOR EUR DAS DI CARLO AND EUR/NCE; PLEASE PASS TO
NSC FOR ADAM STERLING

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SUBJECT: COLD FEET ON KOSOVO?: MFA FLOATS THE LEAD BALLOON
OF A "TAIWAN SOLUTION"

Classified By: P/E COUNSELOR ERIC V. GAUDIOSI; REASONS 1.4 (B) AND (D)

¶1. (C) There are disturbing signs that the GoH is considering a partial recognition approach toward Kosovo. In a meeting with visiting former Ambassador Richard Holbrooke February 7, Foreign Minister Goncz solicited his opinion regarding the potential "recognition of the state but not of its sovereignty." She added that she has asked her staff to explore this option, later likening it to the "Taiwan solution."

¶2. (C) Holbrooke strongly discouraged any such course of action in both his private meetings and his public statements, referring to the dangers of "diluted sovereignty" in one interview.

¶3. (C) The immediate origins of this line of thinking are unclear. To our knowledge, the Taiwan parallel was not raised during the recent visit of Serbian PM Kostunica. The idea was unwelcome news to our British colleagues here, and they have passed word to the FCO to be prepared to discuss it during State Secretary Szent-Ivanyi's visit to London next week. Opposition sources up to and including FIDESZ Party President Orban have made clear their support for independence, reportedly going so far as to offer the government a political ceasefire on Kosovo given their common support for the Ahtisaari Plan.

¶4. (C) Our surmise is that the "Taiwan solution" may have originated with the Foreign Minister herself. Even more sensitive than most Hungarians to the plight of moderates in Serbia and often prone to compromise rather than confrontation, Goncz may be looking for a way to avoid the difficult decision of recognition in the absence of complete EU consensus. The danger, of course, is that their initiative will attract support from other EU capitals at the eleventh hour and undermine IC solidarity.

¶5. (C) We believe a prompt official approach from Washington will help prevent the GoH from treading too far down this path. We very much appreciate DAS Di Carlo's willingness to speak with GoH officials via DVC January 14, and have confirmed the attendance of MFA State Secretary Gyorgy Szent-Ivanyi and EU Office Director Zsolt Pataki. (Note: Szent-Ivanyi has recently taken over responsibility as the MFA's Political Director following his most recent tour as Ambassador to The Netherlands. He is known as a competent professional and reportedly enjoys the respect of opposition MPs. He replaces Ivan Udvardi, whose departure has been attributed to pro-Serb sympathies. End Note.)

¶6. (C) We are also pressing for the Prime Minister's Office to send a representative even though Foreign and Security Policy Advisor Ambassador Karoly Banai will be out of town.

The PMO's participation is important, as they will be able to bring the MFA to heel. They should also be inclined to do so; the PM has been very solid on Kosovo since meeting with A/S Fried last summer, and insiders believe he has identified Kosovo as an issue where he can help restore his Euro-Atlantic credentials. The PMO should see that breaking ranks now) and potentially offering others a legalistic pretext to do likewise) would be the wrong idea at the worst time.

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